

# IMPACT OF ONLINE CONSUMER EXPERIENCE AND UNCERTAINTY AVOIDANCE TOWARDS CONSUMER PERCEPTION IN VIRTUAL SHOPPING: AN EMPIRICAL STUDY IN KARACHI PAKISTAN

*Salma Ahmed,*

Faculty of Business Administration  
Iqra University, Karachi, Pakistan

*Dr. Arsalan Mujahid Ghouri,*

Faculty of Business Administration  
Iqra University, Karachi, Pakistan

## ABSTRACT

*Pakistan is considered as one of the developing country with a growing trend of Internet users, which is stretching over 20 million and half of them, are opt to do the virtual shopping. The ability of purchasing without leaving place is of great importance to many consumers. This paper focused on the understanding of consumer perception of adopters and non-adopters of virtual shopping. In addition, cognitive dissonance theory was tested in this study. For this purpose data were collected from 384 students from three private universities of Karachi. The paper analyzed the level of uncertainty avoidance in the cultural ground while consumer using virtual shopping. Factor analysis, correlation and multiple linear regression technique were used to analyze the hypotheses. The result of this study revealed that level of uncertainty avoidance and online consumer experience played a positive significant impact on consumer perception. Based on the results of the study, the level of uncertainty avoidance is considered vital impact on consumer perception. The study suggests benefits and convenience that consumers perceived with virtual shopping having unorthodox culture and how this can be improved to make better online consumer experience.*

**Keywords:** *Online Consumer Experiences, Uncertainty Avoidance, Consumer Perception, Perceived Usefulness, Perceived Ease of Use, Exploratory Behavior, Skills, Theory of Cognitive Dissonance, Virtual shopping in Karachi.*

## Introduction:

Virtual Shopping has become one of the significant and important characteristics in the Internet era. In this era, Internet is now frequently an important trend in utilizing for virtual shopping. Virtual shopping is recently more convenient and accessible where it gives access to the whole world for different products and services under one umbrella. This is the virtual place where consumer can conveniently access through the e-store and purchase or browse any kind of products or services of their own desire around the globe. Virtual shopping refers to the availability of products or services on different or any e-stores or web sites which is the most important factor in determining online consumer experience towards consumer perception. Accessing to a virtual store from

a different places has now become very popular and accessible with the quick advancement and availability of social media such as twitter, Facebook and etc. (Jun et al., 2013).

The Online Consumer experience about an online shopping and what consumer perceived during the purchasing decision is used to identify the key dimensions of virtual shopping where benefits of being available, the website content, information, website quality, consumers skills, their exploratory behavior and easily accessible has been one of the significant motivations to adopt virtual shopping and changes the perception towards this activity. During the recent years, Virtual shopping has experienced a rapid growth in Karachi, Pakistan due to its innovative advantages for consumers and retailers. Due to this there has been different level of uncertainty avoidance

for different culture which impacts the perception of consumer towards online shopping but on other hand it has merits as well, such as by understanding the consumer behavior of different culture will help the e-vendor to adopt different strategies while operating their website globally. According to Dai & Forsythe, Virtual shopping is the consumers shopping online at e-stores (Dai & Forsythe, 2014) so the people of Pakistan are now frequent users of cell phones, laptops and TVs for virtual shopping. This study will show the level of uncertainty avoidance for the culture of Pakistan where it impacts what consumer perceived during the virtual shopping. E-Commerce has modernized and transformed the past trade patterns due to the online shopping.

Technology has made everything so easy and convenient which has made consumer seek for more benefit and advantage during the activity the individual performs. Similarly virtual shopping is one of the miracles that have advanced the shopping to another level. The Virtual shopping has developed a new behavior and experience but moving from the culture from one mental model to another, that's the difficult part. Understanding why Pakistani consumers choose to shop virtually, and how they experience in the online retail environment and make purchasing decisions, is the important to this sector and yet these uncertainties avoidance aspects have received surprisingly modest levels of attention. The study aims to find out the impacts of level of uncertainties avoidance and online experience towards consumer perception in virtual shopping with a focus on Karachi, Pakistan where the number of internet users extend from 133,900 to 29,128,970 between the years 2000 and 2012 and now the numbers are increasing on and on (WDI, 2011).

The research put light in the significance of online consumer experience and level of uncertainty avoidance towards consumer perception in virtual shopping in Karachi. The uncertainty avoidance and two antecedents of online consumer experience i.e. exploratory behavior and skills has been selected while for research towards consumer perception having two antecedents i.e. Perceived ease of use and Perceived Usefulness to examine the impact.

### **Problem Statement:**

In Pakistan, Most of the people experience hesitancy virtually who utilize Internet services on the daily basis for different purposes. They seem to be hesitant to do virtual shopping through Internet. According to Khan, the trend of Virtual shopping has not been accepted mostly by consumer Internet users in Pakistan (Khan et al. 2014). Even the increasing growth of population of Pakistan, the question is raised that what are those online Consumer experiences and uncertainties consumer perceived during shopping virtually that are hindering local

consumers to shop through internet. Uncertainty Avoidance (UA) is likely to be an important aspect in cultural dimension which is influencing how consumers from different countries are making purchasing decisions when visiting virtual stores.

According to Lee and Heng, In Asian countries, the acceptance rate of online shopping is significantly low as compared to the western countries (Lee & Heng, 2010). According to Hofstede, the level of uncertainty avoidance of Pakistan scores 70 and thus has a high preference for avoiding uncertainty (Geert-hofstede.com, 2015). Those countries showing high Uncertainty Avoidance level maintain strict codes of belief and are biased of unorthodox behavior. Similarly Consumer perception varies time by time and they are consistently struggling in searching for guidance and assistance from the Salesperson. However, virtual shopping has less presence of salesperson available and face different experiences. Different strategies are used to lessen uncertainties and create consumer own good perception. According to Hofstede, Thus, given that nations differ on their levels of uncertainty avoidance (Hofstede, 2001), e-vendors may need to take attention when designing websites for international operation. The study is to find those concerns that impact of online consumer experiences and uncertainty avoidance on perception and acknowledging the reasons behind the delay in making the Consumer buying decision as Pakistan scores 70 in uncertainty avoidance dimensions. Further on, the purpose of this study is to examine how online experiences differentiates on cultural grounds and to explore how business firms reach their local consumers by acknowledging their perception that leads to purchase intention.

### **Literature Review:**

The current study investigated the overall online consumer experience and level of uncertainty avoidance on overall consumer perception in Karachi. The Cognitive dissonance theory is used to develop the conceptual frame work for this study which was proposed by Festinger, 1957. This is the most influential work on determining the consumer perception. The independent variables online consumer experience having antecedents i.e. exploratory behavior and skills and uncertainty avoidance impacting towards consumer perception.

According to cognitive dissonance theory, there is a trend for individuals to explore the consistency among their cognitions (i.e. beliefs, opinions). If an existance of inconsistency between attitudes or behaviors occurs that means it is (dissonance), there must be something to change to eliminate that dissonance (Festinger, 1957). If there is a inconsistency between attitudes and behavior, it is most likely that the attitude will change to adapt the behavior. According to Burnes, the theory of cognitive dissonance is very important in

order to understand the factors that motivate or impede successful change (Burnes, 1996).

### **Online Consumer Experience and Consumer Perceptions:**

Online consumer Experience are build on individuals personal beliefs and its evaluation towards online activities. It showed how person feel towards the specific acitivity after expereincing it which is based on his/her emotions and feel which also is considers as an important element in defining person's satisfaction or disatisfaction.

Kwon and Noh (2010) linked to explore online consumer expereince on mature consumers' perceived risks and benefits in the context of online apparel shopping and the role of age and past experience in their perceptions. A national sample of 293 US male and female mature consumers participated in a mail survey. In this study the Structural equation modeling was used to test the hypotheses. The study revealed that online consumer experience have significant impact on perceived benefits regarding product and price offerings and perceived financial risk which gave significant impact on consumers' online apparel purchase experience. In addition, The more the mature consumer's internet experience, the greater their perceived benefits. This study contributes to the online shopping literature by extending applicability of such constructs as perceived risks and benefits and prior internet and online shopping experiences to predicting mature consumers' online purchase intention.

Obada (2014) examined the link of online consumer experience by the relationship between customers' online flow experience which is an antecedent of online consumer experience and the perceived quality of a brand website. This study firstly reviewed online flow experience and perceived quality studies in the literature, and distinguished the flow construct from other similar concepts. After that, the study proposed a conceptual diagram for a better understanding and a visual representation of the relationships between the two sets of variables. This study also further identified the scales for measuring online flow experience and perceived quality, and used factor analysis that was followed by a reliability analysis of the scales used. The research problem of the study was how can the flow theory used to extend the perceived quality of a brand website. The study used a quasi-experimental design. The data collection was done by online marketing survey. An email-marketing platform was delivered about 890 emails, which includes an invitation to participate in the study. Study used no probabilistic sample. The results revealed that online flow state experienced by a user while surfing on a brand website had significantly positive effects on perceived quality of visited brand website. After testing the hypothesis of this study, conducted a series

of bivariate correlations for testing the relationship between the two sets of variables, and a simple linear regression analysis to examine the causal relationship between online flow state and the perceived quality of a brand website. The study examined that flow was an important construct which can be used by marketers in order to increase the perceived quality of a brand website. The study evidently concludes that customers can experience online flow while they surf a brand website. This study was the evidence of the relationship between the user's online flow state and the perceived quality of the brand website. More importantly, the result of this study showed that the online flow state influences the perceived quality of the brand website.

Willemsen, Neijens, Bronner, and Ridder (2011) linked perception with experience by gaining a better understanding of the content characteristics which is the antecedents of determining the online consumer experience that make online consumer reviews a useful source of consumer information. Furthermore the study analyzed and reviewed an experience and search product that was posted on Amazon.com. The population of the study was (N = 400). The insights derived from this content analysis that were linked with the proportion of 'useful' votes that reviews received from fellow consumers. The results showed that content characteristics were paramount to understanding the perceived usefulness of reviews. Specifically, argumentation (density and diversity) served as a significant predictor of perceived usefulness, as did reviewed valence although this latter effect was contingent on the type of product (search or experience) being evaluated in reviews. The relationship between expertise claims and perceived review usefulness approached significance. Results showed that review valence had a marginally positive main effect on perceived usefulness. A positive relationship between argument diversity and perceived usefulness. The study also indicated that negative arguments along with positive arguments contribute to a higher perceived usefulness.

### **Uncertainty Avoidance and Consumer Perception:**

Uncertainty Avoidance as per its definition denotes the uncertain situation or threat the individual feel about the specific event. Uncertainty avoidance determines how the society is tolerant towards the uncertain situation. The level of uncertainty avoidance state how important this factor is in foreseeing the behavior of different individual living indifferent culture while The dimension of uncertainty avoidance differs in culture ground. This is the vital dimension inorder to identify how well the society tolerate the uncertainties and how does this impact the consumer perception towards virtual shopping.

Karahanna, Polites, Williams, Liu and Seligman (2013) examined the impact of Hofstede's (2001)

cultural dimension of uncertainty avoidance (UA) on consumer perceptions of e-loyalty. This study analyzed the viewing information quality, trust, and system quality as uncertainty reduction mechanisms. The uncertainty avoidance was hypothesized to moderate relationships involving these constructs in a recognized model of were success. The study took data drawn from over 3,500 actual consumers from 38 different countries. This was done for controlling for the impact of other cultural dimensions. The results suggested that uncertainty avoidance moderated the impacts of information quality on one of the antecedent of consumer perception i.e. perceived usefulness, and of trust on e-loyalty, but not system quality relationships. However, the study further analyzed that the moderating effect of uncertainty avoidance on the information quality-satisfaction relationship was non-significant. This indicated that the uncertainty reduction impacts might operate through a cognitive rather than an affective route. The study examined the impact of Hofstede's (2001) cultural dimension of uncertainty avoidance on consumer perceptions of e-loyalty. Eventually the study indicated the results that uncertainty avoidance moderates the impacts of information quality on perceived usefulness, and of trust on e-loyalty, but not system quality relationships. It also indicated that uncertainty avoidance played a significant moderating role in the information quality and perceived usefulness relationship, with the impact being stronger for individuals from high uncertainty avoidance countries. Information plays a key role in reducing uncertainty where in purchasing decisions it requires clear information which assess product or service attributes in order to process the buying decision. Lu, Chang and Yu (2013) determined the impact of cultural orientation on consumer perceptions related to the ethics of online retailers. The study helped in understanding the influence of consumer perception related to the ethics of online retailer on e-loyalty intention. The study took a sample of 949 respondents, which was collected, through an online survey. The result indicated that one of the dimensions of culture consumers with horizontal individualism, and with horizontal and vertical collectivism tend to hold higher perceptions of e-retailers' ethics. The study result indicated that the higher consumers perceive positive consumer perception related to the ethics of online retailer, the more they tend to purchase from the same online sellers. Consumers with horizontal individualism, and with horizontal and vertical collectivism tend to hold higher perceptions of e-retailers' ethics. It also showed that the relationships between Vertical-Individualism and security and privacy are significantly positive. Horizontal Individualism, Vertical Collectivism, and Horizontal-Collectivism are all near significance in determining Consumer perception of e-retailer's ethic. This study

drew on a substantive sample of 949 respondents to explore the culture and loyalty intention in the context of consumer perceptions of e-retailers' ethics.

### Methodology:

The nature of research was explanatory and quantitative. The self-administered survey was conducted through structured questionnaire that was submitted to the participants through online as well. Primary data was collected through random sampling. The data were collected from 400 respondents selected from the targeted population that are students from three private universities, in that way where every single individual had an equal opportunity to participate in this study. A total of 384 useable survey questionnaires were found for analysis. The statistical techniques used in this study were Factor analysis, Multiple Linear Regression and Correlation.

The respondents were individuals' students of Karachi. The total numbers of respondents were 384 that were usable. From these 384 surveys, males accomplished 57.8% and females accomplished by 42.2%. On other hand, the 18.8 % respondent lie under age of (21-25) and 30.2% under age of (26-30), the 27.3 % respondent were under age (31-35) and 23.4 % respondents were under age of 36 yrs. and above.

The already tested research tool was adopted for this research. Three variables, which include consumer online experience, where scale items were adopted by (Novak et al., 2000) where its components were exploratory behavior (EB) which has 6-scale items and skills (S) having 4-scale items. To measure uncertainty avoidance (UA), scale items were adopted by (Quintal et al. 2006) having 5-scale items. To measure consumer perception (CP) which was dependent variable, the components i.e. perceived usefulness and perceived ease of use having 3- scale items each that were adopted from (Hernández et al. 2010). All items were scored on a five-point scale ranging from "1 = strongly disagree" to "5 strongly agree".

### Results and Discussions:

Since the aim of this study is to find the impact and relationship between consumer online experience, uncertainty avoidance on consumer perception of Karachi and to determine the level of uncertainty avoidance whether it impact the consumers of different culture ground perception towards the online shopping in Karachi, Pakistan, hence the statistical results findings related to the hypotheses are presented below. Before testing the hypothesis, reliability and validity was determined by testing the data. The validity test was determined by using factor analysis. Factor analysis was used as a method in which it was used statistically to observe the variability of variables that were correlated. According to the table below, KMO

measures the better sampling adequacy on 0.861 as it was greater than 0.5.

**KMO and Bartlett's Test:**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.861
Bartlett's Test of Sphericity	Approx. Chi-Square	1302.035
	df	55
	Sig.	.000

The analysis revealed that the consumer online experience (COE) factor has three facets, and uncertainty avoidance (UA) has three, while Consumer perception (CP) has five facets. Seven items have excluded from online consumer experience, one item from uncertainty avoidance and one item from a consumer perception as the automatic removal of the correlation in SPSS that has the value below than 0.5.

**Pattern Matrix:**

	Factor		
	1	2	3
CE6		.692	
CE7		.539	
CE8		.707	
UA2			.511
UA3			.632
UA4			.665
CP1	.635		
CP2	.778		
CP3	.834		
CP4	.717		
CP5	.642		

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The reliability of data was tested through The Cronbach's Alpha. The value of this study all variables are greater than 0.6 that is 0.827, which means 82.7% that indicates that the reliability of data is acceptable.

Variables	Cronbach's Alpha	Items
Consumer Perception (CP)	.853	5
Consumer Online Experience (COE)	.679	3
Uncertainty Avoidance	.647	3
All Variables	.827	11

To examine the hypothesis H<sub>a1</sub> that is a significant impact of uncertainty avoidance on consumer perceptions and H<sub>a2</sub> that is a significant impact of online consumer experiences on Consumer perceptions. The Multiple linear regression was applied using enter method.

**Model Summary:**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.696 <sup>a</sup>	.484	.481	.47286	.484	178.518	2	381	.000	2.051

**Coefficient:**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
		1	(Constant)	.876			.186	
	Conexper	.373	.047	.345	7.997	.000	.729	1.372
	uncavoidance	.445	.043	.451	10.451	.000	.729	1.372

The un-standardized regression coefficient for predicting consumer perception from online consumer experience and uncertainty avoidance is 0.876, 0.373 and 0.445 respectively; the significance level (sig.) or *p* of online consumer experience and uncertainty avoidance as significant since both values is less than .01. Hence it may be reported as B= (0.876+0.375 + 0.445), F (2, 381) = 178.518, p < .000; r = .696. The summaries of the results are presented in table 1.

The multiple regression predicting consumer perception from the two variables i.e. uncertainty avoidance and online consumer experience are statistically significant because the 'Sig.' is less than .01, therefore, the study accept the hypothesis H<sub>a1</sub> and H<sub>a2</sub>. Thus, the studies accept the hypothesis and state that online consumer experience and uncertainty avoidance is statistically significant on consumer perception. The uncertainty avoidance and online consumer experience has a significant and positive impact having sig value less than 0.05; therefore the study stated that uncertainty avoidance and online consumer experience statistically has a positive impact on consumer perception. Using the R<sup>2</sup> from the model summary table 1, the study indicated that that r<sup>2</sup> =

.481, indicating that 48.1% of the variance in consumer perception was predicted by online consumer experience and uncertainty avoidance. Hence it may be inferred that consumers have higher consumer perception. The results are reported and interpreted in a comprehensive manner above, therefore the discussion on each variable aligned with the results are discussed below in detail.

### Online Consumer Experience:

Above findings demonstrate that online consumer experience toward consumer perception has a positive impact result towards consumer perception showing consistency with (Kwon & Noh, 2010; Obada, 2014; Williamsen et al., 2011). At the point, when the consumers have a more positive view about the choice of products or services in an e-store for virtual shopping, the process of decision making here begun, the more good experience towards the virtual shopping the more fire up an online business and the other way around.

### Uncertainty Avoidance:

Uncertainty Avoidance has been strong and relevant significant factor with Lu et al., (2013), and Karhanna et al., (2013), which communicated positive noteworthy impact on consumer perception. The relevance of the variable is a direct result of the quick changes of social environment, family, companions and partner gatherings which may impact individuals purchasing decision making. Consumers take into consideration the factors i.e. threat, uncertain situation, and economical condition before providing personal information i.e. credit card information, personal address and etc.

### Conclusion:

The findings of the study statistically examined and conclude that there was a significant positive impact of all the variables online consumer experience and uncertainty avoidance on consumer perception towards virtual shopping in Karachi, Pakistan. In case of Pakistan, the study findings suggested that uncertainty avoidance played a significant role on consumer perception of Karachi, with the effect being stronger for individuals from high level of uncertainty avoidance countries. This is perhaps not surprising since information plays a key role in uncertainty reduction, and purchasing decisions require information to assess product or service attributes. E-vendors expanding their operations in Karachi must ensure high quality information on their web sites, and determine the *type* of information needed to reduce consumer uncertainty to a level that encourages online purchasing in Karachi locality. The research also supports the theory of Cognitive dissonance because this study examined that how consumers may

experience dissonance when they encounter poor online performance by an e-vendor during virtual shopping.

The businesses in Karachi can capitalize on these findings in an effort to boost the consumer online perceptions. Being aware of what perceptions drive consumers to pick and prefer one avenue of shopping to another allows businesses to better cater to consumers, thus helping them to improve their experience and retain customers. Understanding online experience and uncertainty avoidance that may be associated with different products and services may enable online businesses to create more positive experiences etc. While this survey helped e-vendors and marketers to gain insight on the perception of consumers and how to improve the online consumer experiences by watching out the level of uncertainty avoidance of certain culture at the same time. These initial findings still warrant further investigation. To achieve a better understanding of these factors, future research should include a larger sample size and more variety in terms of subjects' sources. This study was only generalized for Karachi Market and research has been done on students' perspective due to appropriate given time. Finally, future researchers should lead the research with longer period. This can ensure that they can get reliable outcome about that consumer perception as it is broad concept to handle can individuals can lead an actual action in the real life.

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